

Message Text

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ACTION EB-07

INFO OCT-01 NEA-09 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOTe-00 INR-07 NSAE-00 FAA-00 L-02 TRSE-00 ABF-01

/029 W

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R 061425Z MAY 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8533

INFO AMCONSUL BOMBAY

LIMITED OFFICIAL USE NEW DELHI 6073

E.O. 11652: N/A

TAGS: EAIR, IN

SUBJ: CIVAIR: PAN AM DIFFICULTIES IN INDIA

REF: STATE 103610

1. WE VERY MUCH APPRECIATE AND CONCUR IN THE THOUGHTFUL COMMENTS CONTAINED IN REFTEL. UNTIL PAN AM HAS COMPLETED ITS ANALYSIS AND DECIDED HOW FAR TI WISHED TO PUSH TOWARD RESOLVING THEIR PROBLEMS IN INDIA, WE SEE NO POINT IN ANY DEPARTMENTAL OR EMBASSY ACTION.

2. WE CONCUR IN THE DEPARTMENT'S CONCLUSION THAT IT WOULD BE PREFERABLE NOT TO FOCUS SOLELY ON THE REMITTANCE OF FUNDS ISSUE PARTICULARLY IF TREASURY CAN WORK OUT A SYSTEM BY WHICH DOLLARS MIGHT BE ADVANCED ON AN INTERIM BASIS. OUR REASON FOR ADVANSING THIS AS AN OPTION WAS OUR BELIEF THAT PAN AM MIGHT NONETHELESS PREFER THIS OPTION SINCE IT HAS IMMEDIATE TANGIBLE BENEFITS WHILE THE OUTCOME OF A BROADER INITIATIVE IS UNCERTAIN AND SLOW.

3. ECONOMIC COUNSELOR AND PAN AM REPRESENTATIVE WILL MEET WITH GOI CIVIL AUTHORITIES NEXT WEEK IN AN ATTEMPT TO DETERMINE WHAT IF ANYTHING GOI IS PREPARED TO DO ABOUT PAN

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AM'S PROBLEMS. IF SUBSTANTIAL PROGRESS IS INDICATED, WELL

AND GOOD. IF NOT, WE WOULD RECOMMEND THAT DEPARTMENT, IN COOPERATION WITH PAN AMERICAN, DEVELOP A SERIES OF PRESSURE POINTS WHICH THE EMBASSY CAN OUTLINE IN DISCUSSIONS WITH THE GOI. WHILE POSSIBLE DISALLOWANCE OF THE SPECIAL TOURIST FARE WOULD BE ONE SUCH PRESSURE POINT WE WOULD HOPE THAT IT WOULD BE POSSIBLE TO DEVELOP A SERIES OF SUCH POINTS UNDER THE NEW AVIATION LEGISLATION.

4. ECONOMIC COUNSELOR EXPECTS TO BE IN WASHINGTON IN JUNE AND WOULD LIKE TO REVIEW THIS PROBLEM WITH ALL CONCERNED.

5. WITH RESPECT TAX AGREEMENT WE APPRECIATE THE DESIRABILITY OF AN OVERALL DOUBLE TAXATION AGREEMENT BUT DOUBT THAT IN THE PRESENT POLITICAL MOOD THE GOI WOULD BE PREPARED TO GO AHEAD WITH SUCH AN AGREEMENT. WE HAVE RECEIVED COPIES OF THE US-ROC AGREEMENT AND PAN AMERICAN LAWYERS ARE REVIEWING THE MATTER TO DETERMINE WHETHER SUCH AN AGREEMENT WOULD ELIMINATE PAN AM'S TAXATION PROBLEMS. IF THIS IS FOUND TO BE THE CASE, WE WILL REQUEST AUTHORITY FROM THE DEPARTMENT TO MAKE A LIMITED TAX TREATY PROPOSAL TO GOI.
SAXBE

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